

FISCAL NOTE

SB 132 - HB 254

February 18, 2003

SUMMARY OF BILL: Requires the Department of Health to administer the Tennessee Senior Citizen Prescription Drug Discount Card program. Eligible persons must be age 65 or over; have a household income at or below 300 percent of the federal poverty level and no private or public insurance coverage for prescription drugs

Participating retail pharmacies would offer prescription drugs to program participants at discount prices as defined in the bill. Drug manufacturer rebates, based upon Medicaid rebate amounts, would be utilized by the department to administer the program and subsidize discounted prices and pharmacy dispensing fees. Allows all drug manufacturers and labelers that distribute drugs in Tennessee to voluntarily enter a rebate agreement with the department. The department is to review the status in the Medicaid program, and any other state insurance program, of a manufacturer that refuses to participate.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$13,480,000 Recurring
\$250,000 One-Time**

Other Fiscal Impact:

A one-time appropriation estimated at \$5,000,000 will be necessary to fund discounted prices prior to the receipt of sufficient rebates.

Based on the estimated participation level, estimated rebates totaling \$42,240,000 will be available for the program. Administrative expenses will require \$13,480,000 of this amount on a recurring basis leaving \$28,510,000 available to provide drug discounts to plan participants. Estimate assumes the amount of discount available will equal the amount of rebates received minus administrative costs of the program.

Assumes:

- 100,000 senior citizens will be eligible to participate in the program representing about fourteen percent of 700,000 senior citizens in the state. For information purposes currently about 180,000 Medicare enrollees in TennCare

are receiving drug benefits through TennCare because they are also Medicaid eligible.

- Estimates for prescription cost, average number of prescriptions per person, fees to pharmacists and fees for a pharmacy benefits manager are based on prescription drug usage and administrative expenditures in TennCare.
- Estimated rebate income will total \$42,240,000 assuming drug purchases of \$211,200,000 and rebates of 20%, the same rate as TennCare. This estimate is based on an average of 48 scripts per person, at an average cost of \$44 per script, for the estimated population of the program.
- Administrative costs assumes \$12,000,000 in pharmacy dispensing fees, \$480,000 to a pharmacy benefits manager and \$1,250,000 in the Department of Health.
- Net rebate income available for drug discounts after administrative expenses is estimated at \$28,510,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director